

COMPLIANCE AUDIT

City of Sunbury Police Pension Plan Northumberland County, Pennsylvania For the Period January 1, 2022 to December 31, 2024

February 2026



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Mayor and City Council
City of Sunbury
Northumberland County
Sunbury, PA 17801

We have conducted a compliance audit of the City of Sunbury Police Pension Plan for the period January 1, 2022 to December 31, 2024. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

The objective of the audit was to determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objective identified above. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- We determined whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt for all years within the period under audit.

- We determined whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation.
- We determined whether annual employee contributions were calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plan's governing document in effect for all years within the period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan.
- We determined whether retirement benefits calculated for the plan member who retired during the current audit period represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws, and regulations by recalculating the amount of the monthly pension benefits due to the retired individual and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipient.
- We determined whether the January 1, 2023 actuarial valuation report was prepared and submitted by March 31, 2024 in accordance with Act 205 and whether selected information provided on this report is accurate, complete, and in accordance with plan provisions to ensure compliance for participation in the state aid program by comparing selected information to supporting source documentation.
- We determined whether provisions of the Deferred Retirement Option Plan (DROP) were in accordance with the provisions of Act 205 by examining provisions stated in the plan's governing documents.

The City of Sunbury contracted with an independent certified public accounting firm for annual audits of its basic financial statements for the years ended December 31, 2022 and 2023, which are available at the city's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

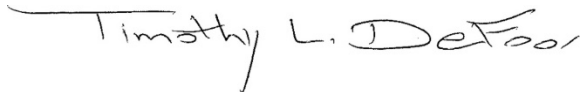
City officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the City of Sunbury Police Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objective.

The results of our procedures indicated that, in all significant respects, the City of Sunbury Police Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following finding further discussed later in this report:

Finding – Pension Benefit Not Authorized By The Third Class City Code

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of the City of Sunbury and, where appropriate, their responses have been included in the report. We would like to thank city officials for the cooperation extended to us during the conduct of the audit.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
January 22, 2026

CONTENTS

	<u>Page</u>
Background.....	1
Finding and Recommendation:	
Finding – Pension Benefit Not Authorized By The Third Class City Code	2
Supplementary Information	5
Report Distribution List	9

BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). The Act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans.

Annual state aid allocations are provided from a two percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the City of Sunbury Police Pension Plan is also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

Act 67 - The Third Class City Code, Act of November 24, 2015 (P.L. 242, No. 67),
as amended, 11 Pa. C.S. § 10101 et seq.

The City of Sunbury Police Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 899, as amended, adopted pursuant to Act 67. The plan is also affected by the provisions of collective bargaining agreements between the city and its police officers. The plan was established June 23, 1931. Active members are required to contribute 5 percent of compensation to the plan. As of December 31, 2024, the plan had 8 active members, no terminated members eligible for vested benefits in the future, and 26 retirees receiving pension benefits from the plan.

CITY OF SUNBURY POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Pension Benefit Not Authorized By The Third Class City Code

Condition: During the two prior audits, a verbal observation was issued to plan officials notifying them that the pension plan’s governing document and collective bargaining agreement between the police officers and the city grant a benefit that is not authorized by the Third Class City Code. The city has not taken any action in response to the verbal observations and as a result, the city authorized a pension benefit in excess of those authorized by the Third Class City Code.

During the audit period, a police officer with 22 years of service received a pension benefit of 55 percent of compensation.

A provision for a 62.5% benefit was authorized by the city’s Bill No. 06-2013, dated February 13, 2006, which added Paragraph D to Section 37-5 of the city’s code. At the time, the pension fund operated pursuant to provisions of Chapter 37: Police Pension Fund, adopted March 11, 1974 by Ordinance No. 899, as amended. Those provisions were superseded by Chapter 37: Police Pension Fund, adopted March 9, 2009, which does not mention the provisions contained in Bill No. 06-2013.

Bill No. 06-2013 states, in part:

1. Paragraph D shall be added to Section 37-5 of the Code of the City of Sunbury. Paragraph D shall read as follows:
 - F. There shall be an additional benefit for every member of the Police Force of the City of Sunbury, who shall have been employed by said Force for a total of 25 years. The member with (i) 25 years of service and (ii) retiring from active duty if (iii) honorably discharged shall receive 62.5% of the rate of monthly pay of the member of the Police Force at the date of retirement or the highest annual salary which the member received during any five years of service preceding retirement.

Furthermore, Article 34 of the collective bargaining agreements for the periods January 1, 2019 to December 31, 2023 and January 1, 2024 to December 31, 2028 between the city and its police officers states, in part:

... the Pension Ordinance shall include the following retirement benefits for current Officers: 12 Year Partial Vesting and 20 Year Normal Retirement. Any officer may choose to continue working for the City after achieving twenty (20) years of service and shall be entitled to a pension percentage increase of 2.5% for each of the first five (5) years of continued service.

CITY OF SUNBURY POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Lastly, the actuarial valuation reports for the police pension plan, with valuation dates dating back to *at least* January 1, 2013 and continuing through the most recent report as of January 1, 2023, submitted to the Municipal Pension Reporting Program, reported the benefit provision included in the collective bargaining agreement.

Criteria: Section 14303(b) of the Third Class City Code states, in part:

The basis of the apportionment of the pension shall be determined by the rate of the monthly pay of the member at the date of injury, death, honorable discharge, vesting under section 14302.1 or retirement, or the highest average annual salary that the member received during any five years of service preceding injury, death, honorable discharge, vesting under section 14302.1 or retirement, whichever is higher and except as to service increments provided for in subsection (d), may not exceed in a year one-half the annual pay of the member computed at the monthly or average annual rate, whichever is higher.

Cause: City officials stated that the variance was caused by a lack of information and oversight on the part of their management team.

Effect: The plan is paying pension benefits to a retiree in excess of those authorized by the Third Class City Code. Accordingly, the retiree is receiving excess benefits of \$368 per month, which totaled approximately \$8,832 from retirement through the date of our audit's fieldwork completion.

Furthermore, inconsistent plan documents could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Providing unauthorized pension benefits increases the plan's pension costs and reduces the amount of funds available for investment purposes or for the payment of authorized benefits or administrative expenses. The provision of unauthorized pension benefits may have resulted in the receipt of excess state aid and could increase the municipal contributions necessary to fund the plan in accordance with Act 205 funding standards.

Recommendation: We recommend that city officials take appropriate action to ensure the plan's governing document and the collective bargaining agreement contain consistent benefit provisions at their earliest opportunity to do so.

CITY OF SUNBURY POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

We also recommend that the city comply with the Third Class City Code upon the renewal, extension, or renegotiation of the collective bargaining agreement. To the extent that the city has already obligated itself to pay benefits to existing retirees in excess of those authorized by the Third Class City Code, the excess benefits must be reflected in the Act 205 actuarial valuation reports for the plan and funded in accordance with Act 205 funding standards. Furthermore, the unauthorized portion of such benefits will be deemed ineligible for funding with state pension aid.

In such case, plan officials should consult with the plan's actuary to determine if Supplemental Actuarial Information Form AG-MP-1 should be prepared. If it is determined the excess benefits has an impact on the city's state aid allocations received subsequent to the audit period, the form should be submitted to the department. Furthermore, after the submission of the form, the plan's actuary should contact the department to verify the overpayment of state aid received and the city should then reimburse the overpayment to the Commonwealth.

Management's Response: City officials provided the following response:

The City of Sunbury agrees that it will comply with the Third-Class City Code upon the renewal, extension, or renegotiation of the collective bargaining agreement with its Police Department. Any benefits due and owing existing retirees in excess of those authorized by the Third-Class City Code, will be reflected in the Act 205 actuarial valuation reports for the plan and funded in accordance with Act 205 funding standards. Further, the city will consult with the plan's actuary to determine if Supplemental Actuarial Information Form AG-MP-1 should be prepared. If it is determined the excess benefits have an impact on the city's state aid allocations received subsequent to the audit period, the form will be submitted to the department. After submission of the form, the plan's actuary will contact the department to verify the overpayment of state aid received and plan officials will then reimburse the overpayment to the Commonwealth.

Auditor's Conclusion: Compliance will be evaluated during our next audit of the plan.

CITY OF SUNBURY POLICE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Historical trend information about the plan is presented herewith as supplementary information. It is intended to help users assess the plan’s funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially. The historical information, beginning as of January 1, 2019, is as follows:

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-19	\$ 10,411,503	\$ 9,675,515	\$ (735,988)	107.6%
01-01-21	13,517,072	9,921,915	(3,595,157)	136.2%
01-01-23	12,574,086	10,499,399	(2,074,687)	119.8%

CITY OF SUNBURY POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (Column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

CITY OF SUNBURY POLICE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll*</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 456,958	\$ 456,958	\$ -	\$ 654,336	69.84%
2016	212,858	212,858	-	538,727	39.51%
2017	204,097	204,097	-	622,907	32.77%
2018	121,252	121,252	-	443,985	27.31%
2019	113,548	113,548	-	448,932	25.29%
2020	78,363	78,363	-	511,932	15.31%
2021	80,061	80,061	-	540,071	14.82%
2022	-	-	-	564,766	0.00%
2023	-	-	-	594,281	0.00%
2024	-	-	-		

* Due to the timing of this audit, covered-employee payroll for 2024 was not provided in this schedule.

CITY OF SUNBURY POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2023
Actuarial cost method	Entry age normal
Amortization method	Not applicable
Remaining amortization period	None
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	5.0%
Cost-of-living adjustments	3.0% per year postretirement

CITY OF SUNBURY POLICE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Honorable Joshua A. Brosious
Mayor

Mr. Jeffrey S. Wojciechowski
City Clerk

Ms. Robyn Garinger
Administrative Assistant

Ms. Lisa J. Martina
Treasurer

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.